

## WHAT IS TAXABLE?

In addition to rent, some examples of taxable income include payments made by the tenant for:

- Amounts paid by the tenant to or on behalf of the owner
- Owner's mortgage payments
- Common Area Maintenance (CAM)
- Telecommunications (telephone, cable TV and internet service)
- Non-refundable deposits
- Forfeited deposits
- Utilities
- Landscape maintenance
- Association fees
- Late fees, court fees and legal fees
- Repairs and/or tenant improvements
- Property Taxes

**NOTE:** Rent received from non- profit organizations and government agencies **are taxable.**

## NEED MORE HELP?

Town of Gilbert staff are available to assist you with your questions. You can stop by 50 E Civic Center (Town Hall), Monday – Thursday from 7 AM – 6 PM; no appointment is necessary. You can also email your questions to [SalesTax@GilbertAZ.gov](mailto:SalesTax@GilbertAZ.gov).

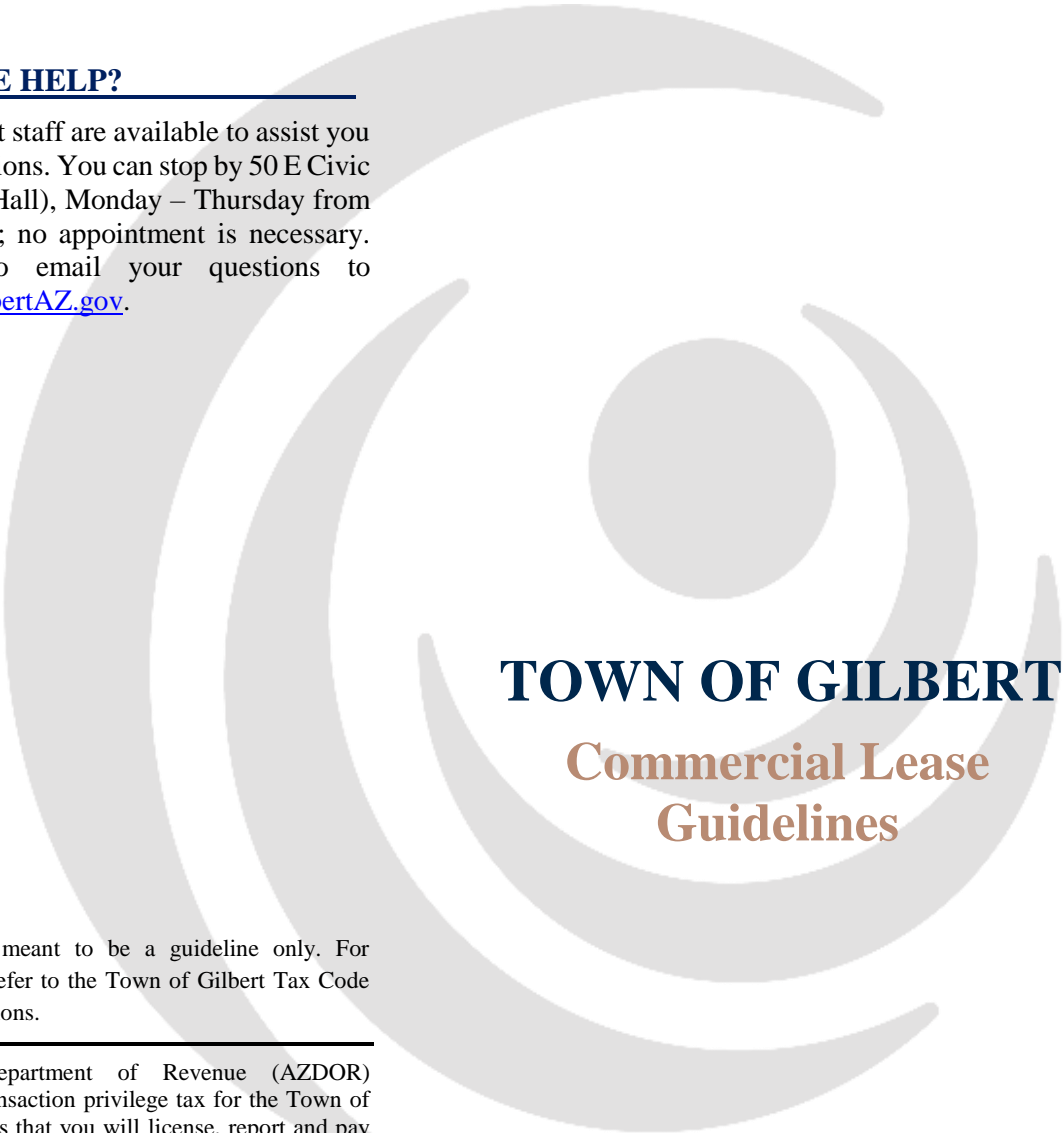
This brochure is meant to be a guideline only. For complete details, refer to the Town of Gilbert Tax Code and related regulations.

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The Arizona Department of Revenue (AZDOR) administers the transaction privilege tax for the Town of Gilbert. This means that you will license, report and pay your Town of Gilbert transaction privilege taxes (TPT) to the AZDOR and they will distribute the applicable monies to the municipality.

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TPT is commonly referred to as sales tax; however, it is a tax on the business and not the consumer. The business may choose to pass the tax on to their customer. It is the “privilege” of doing business within the town and is not a true sales tax.



# TOWN OF GILBERT

## Commercial Lease Guidelines

## TAX COMPLIANCE

50 East Civic Center Drive  
Gilbert, Arizona 85296

[SalesTax@GilbertAZ.gov](mailto:SalesTax@GilbertAZ.gov)

[GilbertAZ.gov/TaxCompliance](http://GilbertAZ.gov/TaxCompliance)

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Most municipalities charge transaction privilege tax (TPT) to the owners of leased or rented commercial property. Some examples are: office buildings, office space within another office, stores, restaurants, fitness centers, warehouses, vacant land, parking lots, meeting rooms, and storage yards. The following guidelines apply to properties located within the boundaries of the Town of Gilbert.

The Arizona Department of Revenue (AZDOR) also has a [Commercial Lease publication](#) available on their [website](#).

### **COMMERCIAL LEASE TAX RATE**

#### **Commercial Lease TPT rate: 2.00% \***

All leased or rented commercial properties located within the Town of Gilbert are taxable. The entity leasing or renting the property to the tenant is responsible for the tax. When renting to an affiliated entity that has at least 80% ownership or control, the rental becomes 100% deductible.

\* When reporting commercial lease income on the TPT return, the rates are currently 0.5% to Maricopa County (region code MAR, business code 013) and 1.5% to Gilbert (GB, 213).

For questions about property tax, please visit the [Maricopa County Assessor website](#) or call (602) 506-3406.

### **PROPERTY MANAGEMENT COMPANIES (PMC)**

Many property management companies offer services to assist you with your commercial property. This may or may not include filing and remitting your TPT to AZDOR. Please review your contract with the PMC as it is ultimately the responsibility of the property owner to submit TPT returns and payments.

### **LICENSING & REPORTING**

In order to report and submit your Gilbert commercial lease tax, you will need to obtain a Transaction Privilege Tax (TPT) license from AZDOR. You may apply for your TPT license, file returns and make payments via [AZTaxes.gov](#)

Filing frequency is determined by the amount of a business' total state/town combined annual tax liability. The three frequencies are currently:

- Annual: Less than \$2,000
- Quarterly: \$2,000 - \$8,000
- Monthly: More than \$8,000

To change your filing frequency, please complete and submit a [Business Account Update form](#) to the AZDOR. If there are any delinquencies on your account, the filing frequency cannot be changed.

### **GILBERT BUSINESS LICENSE**

Every commercial property located in Gilbert is required to have a business license. You may find additional information in the [Municipal Town Code](#), Section 14. Business license information is available on the Town website under [Business Licensing and Registration](#) or call 480-503-6700.

### **FACTORING TAX**

If you elect to include the tax in the rent (no separate charge for tax), you may calculate the tax amount included in your gross income as indicated below:

$$\text{Gross rent} \div (1 + \text{tax rate}) = \text{taxable rent}$$

Example:

Gross rent:	\$1,000.00
2.00% tax:	$\div 1.02$
Net taxable rent	\$ 980.39

Gross rent – taxable rent = tax due

$$\$1,000.00 - \$980.39 = \$19.61$$

TPT remitted for this example will be \$19.61 which if added to the net taxable rent will total the amount collected from the tenant.

The appropriate deduction code used is 551 / Tax Factored or Collected

### **STATE/CITY DEDUCTIONS**

Deductions such as factored tax can be taken when included in the gross income on your TPT return. Deductions will vary between the state and city for the amusement classification. On [AZTaxes.gov](#) only deduction codes applicable to the Commercial Lease activity are available. A complete list of [deduction codes](#) is available on the AZDOR website.

The following deductions may be taken on your TPT return when included in the gross revenue.

- City and County tax collected or factored into total revenue
- Bad debt on which tax was paid on a previous monthly return
- Refundable security deposits, unless they are retained
- Utility charges if individual meters have been installed and each tenant pays the exact amount billed by a utility department
- Room charges to qualifying health care organizations

The following examples are **NOT** allowable deductions:

- Payments made for repairs, landscape maintenance or other service labor
- Common area maintenance fees
- Property taxes